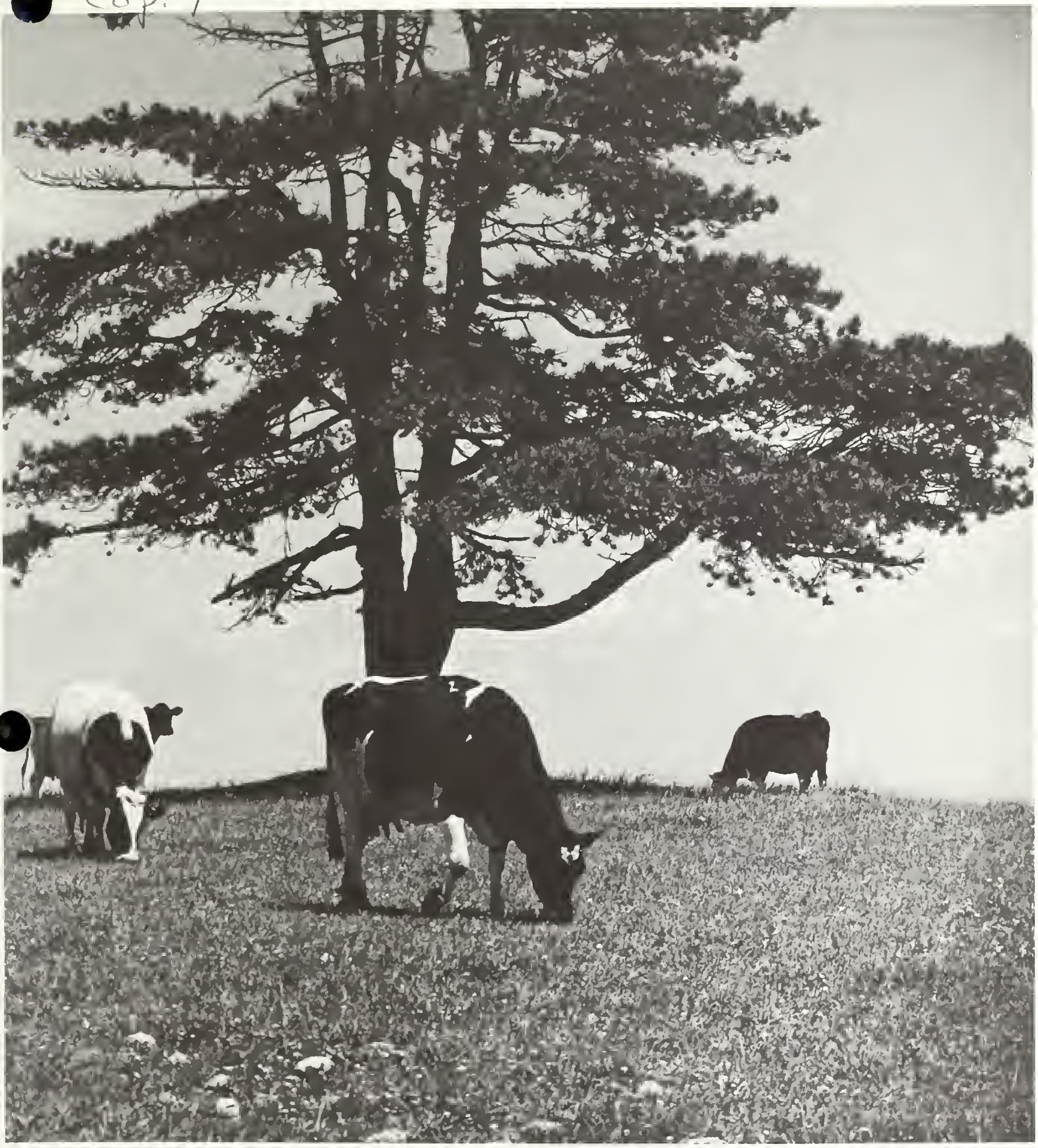
FOREIGN AGRICULTURE



JUNE 11, 1973

EC Farm Price Policy Draws German Criticism

Canada's Livestock Outlook

Foreign
Agricultural
Service
U.S. DEPARTMENT
OF AGRICULTURE

FOREIGN AGRICULTURE

VOL. XI • No. 24 • June 11, 1973

In this issue:

This week's cover:

With the advent of spring, dairy Holsteins in Central Ontario go on pasture, lowering dairy farmers' feed costs. According to Canada's spring outlook report for livestock, milk output this year is likely to rise by about 3 percent over 1972 levels, making more milk available for butter and skim milk powder manufacture. Nevertheless, the rising cost of feeds, labor, and other farm inputs may limit gains in farmers' net incomes. See article beginning on page 6.

Use of funds for printing Foreign Agriculture has been approved by the Director of the Bureau of the Budget (May 1, 1969). Yearly subscription rate: $20.00 domestic, $25.00 foreign; single copies 45 cents. Order from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.

Criticism of EC Farm Price Policy Gains Ground in West Germany

By ROBERT G. HARPER
Trade Policy Division
Foreign Agricultural Service

West German critics of high EC farm support prices have become increasingly vocal. The attack on high budget expenditures and high consumer prices comes from three directions: Trade and consumer associations, academicians, and elements of the German Government itself. Supporters of high farm prices are equally vocal.

Meanwhile, the arena in which the debate takes place has changed since the election of a new Bundestag in November 1972. The two-party coalition government of the Social Democrats (SPD) and the Free Democrats (FDP) is stronger now, and it will be in power for at least 4 more years. The farm bloc is smaller. These changes in the German political situation may be reflected in the way the Government acted during European Community deliberations over 1973–74 support prices, or will act at the Community's scheduled October 1973 review of the Common Agricultural Policy (CAP), and the multilateral trade negotiations.

Trade and consumer groups. The Federal Association of German Wholesale and Foreign Trade (BGA)—a nationwide organization with offices in all 11 Länder—presented to Chancellor Brandt last July a program to slow down price increases through promoting imports. One point called for revising EC agricultural policy, the goal being to reduce self-sufficiency by changing a market regulation mechanism which excludes the possibility that prices may be decreased by technological progress or third country devaluations. The proposed revision would include—

- Reexamination of the present farm price structure;
- Modification of global, undifferentiated border adjustments;
- Elimination of price guarantees for such items as meat, poultry, and dairy products;
- Removal of duties on variable levy commodities.

The BGA proposals led to considerable press debate. The *Frankfurter Allgemeine Zeitung* said that while nobody would believe the German Government would knock at the door of Brussels officials tomorrow to talk about carrying out the proposals, Brussels does recognize EC responsibility for a rapid development of world trade. It continued:

> . . . This recognition is best translated into action by the European countries not only by removing trade barriers between themselves, but especially by taking a more liberal attitude toward the outside world. The proposals by the trade have been made at the right moment.

Toward the end of 1972, the Consumers Union (AGV) attacked the growing milk surpluses in the Community and simultaneously asked why there has been an increasing shortage of beef. It said that consumers and taxpayers have to pay more and more because of conflicting EC policy objectives.

The Chambers of Commerce of the North Sea Harbors (which include Hamburg and Bremen in addition to non-German ports) protested in a letter to the EC Commission against the manipulation of prices according to political criteria. Expressing strong misgivings about the revised CAP for fruits and vegetables, they feared that it would, in the long run, contribute to a strong production increase and large surpluses.

The *Frankfurter Allgemeine Zeitung*, in an article on the economic policy to be pursued in the new legislative period, stated that further price increases should be resisted and that the Government should work toward a more liberal EC agricultural policy. Specifically, public sale guarantees at minimum prices for grain, sugar, but-

ter, and dried skimmed milk should be gradually eliminated and replaced, when necessary, by direct support.

Academicians. Professor Hermann Priebe, director of the Institute for Structural Research in Agriculture at the Johann-Wolfgang-Goethe University in Frankfurt am Main, has made an extensive and critical analysis of the CAP and its associated problems. He noted that its shaping has been left to bureaucrats, thus creating a separate estate isolated from free market forces.

The attempt was made to form a policy which would meet two goals, market equilibrium and farmer income expectations, he said. The result was imbalances in the market and growing financial burdens on the Treasury. Similarly, the attempt to combine income and farm modernization has failed because planned decreases in production are overcompensated, whereupon production rises to exceed demand.

Still, Professor Priebe concedes, the CAP cannot be abandoned; the earlier national policies did no better, and it would be as impossible to pursue integration leaving agriculture out as it has been to pursue integration putting the burden too much on agriculture, thereby getting it thoroughly out of step with the rest of the economy. He believes that regional policy should become the main field of political action, with Government expenditures concentrated in infrastructure projects and creating new jobs off the farm.

Professor Priebe also believes price policy must be confined to its economic function of establishing market equilibrium. In practice, this means that intervention prices must be lower than they are now. Income policy can be accomplished, in part, through direct payments to farmers. The cost of administering income policy would then be lower and the money freed could be used for more productive regional projects.

A study of the EC milk program published in November 1972 by the German Institute for Economic Research in Berlin substantiates Professor Priebe's analysis. The study shows that the Community attempted in 1970 and 1971 to correct the falling milk market, in part by paying premiums to farm-

Tranquil West German farm scenes, such as the harvested grain field (top), beet harvest (left), and grazing cows (above), contrast sharply with debates now underway over EC price policies by trade and consumer groups, academicians, and Government policymakers.

ers for reducing milk cow herds. According to the study the cows slaughtered were low-yielding animals; the high-yielding cows that remained, plus later additions to the herds, produced so much that milk supplies will be in surplus again very soon.

Elements in the Government. A study published in September 1972 by economists in the Economics Ministry drew the following conclusions:

- The total cost of agricultural policies, including both budgetary cost and extra cost to consumers, exceeds the amount that agriculture adds to the gross national product (the factor income of agriculture).
- The budgetary cost has gone from 35 percent to 60 percent of factor income. If this trend persists, the cost will eventually exceed farmers' incomes.
- In spite of all policy efforts and in spite of the decrease in number of workers employed in agriculture, the disparity in income between agricultural workers and nonagricultural workers has increased.

Professional economists in the Ministry are believed to oppose the present reliance on price measures to support farm income, on both theoretical and budgetary grounds. They are thought to want to hold down feedgrain prices and support income through direct subsidies.

Economics Minister Friderichs, like Agriculture Minister Ertl a member of the FDP, said in a recent speech with reference to negotiations with the United States:

> One must recognize the worldwide agricultural policy problems as an especially hard core of the negotiations, and this applies particularly to the relationship between the United States and the EC. Many are convinced that there can be practically no movement here. I think that this question, too, cannot be treated as taboo if we are serious in our goal of bringing about a worldwide liberalization of trade.

The new Bundestag. The November 1972 Bundestag elections returned 230 SPD deputies, 225 Christian Democrat (CDU/CSU) deputies, and 41 FDP deputies, besides the 22 Berlin deputies whose voting rights are limited. There are no independents. The SDP/FDP coalition is firmly in control, beyond the risk of individual members of factions defecting, as happened in the previous Bundestag.

The number of deputies who are farmers or otherwise employed in agriculture has decreased, from 40 in the Sixth Bundestag to 28 in the Seventh. Of these, two belong to the SDP, four to the FDP, and the remainder to the CDU/CSU.

Supporters of high farm prices. The 1.2-million-member German Farmers Union (DBV) has been a well-organized and active proponent of high farm prices. In recent years, it has tried to develop ties with the German Federation of Trade Unions (DGB). Although the DGB is opposed to increases in the cost of living, which high farm prices might be expected to bring about, both organizations have a common interest in seeing to it that the incomes of their members keep pace with inflation.

In part, too, the DBV effort to strengthen these ties arises from falling membership. Also, there seems to be a split in the organization: part-time farmers, whose operations are largely limited to fruit, wine, tobacco, hops, and to a smaller extent livestock products, believe that the DBV leadership has concentrated all its attention on grains, sugarbeets, and livestock, the concerns of the full-time farmers.

In a press conference early this year, Dr. Heinz Möws, the DBV's general secretary, said that Germany must necessarily pursue an active price policy in agriculture because inflation is growing in the current year at the rate of 5 to 6 percent, conservatively estimated. That means that costs for the farmer are going up, too. Dr. Möws said that the difficulties in EC farm policy lie largely in the fact that the individual requirements of the member countries differ greatly from one another. The great question is whether the Community can achieve stability in a common economic and monetary policy.

This view that a common approach to farm price problems is feasible only with the accomplishment of a common economic and monetary policy has been a persistent element in the DBV position. Until such a policy is attained, the DBV believes farm prices should be fixed in national currencies.

In an interview on German radio in February, DBV president Freiherr Constantin von Heereman spoke in favor of dealing with the problem of subsidies, especially on milk and butter, through some form of tax on a quota basis, to be paid where the subsidies originated. He also thought it reasonable to consider whether some form of direct advantage in milk prices could be extended to so-called "socially weak" families.

Pressure is being brought to bear on the Government from the primarily agricultural Länder, such as Bavaria, where preserving the rural way of life is an important consideration as well as maintaining the income of those farmers who can compete on a European scale. The Bavarian Farmers Union is a powerful spokesman for this point of view, as is the *Süddeutsche Zeitung* of Munich, Germany's largest daily newspaper. Both the former, which supports the CSU, and the latter, which supports the SPD, are concerned about the declining number of farms and about people leaving the land.

The Ministry of Agriculture. Agriculture Minister Josef Ertl has been in charge of German farm policy since his appointment in October 1969.

Mr. Ertl represents an important farm constituency—Bavaria, a strongly agricultural area—although his party, the FDP, is a minority there.

Mr. Ertl has been an advocate of border protection for German products because of currency realignments in price protection for the German farmer. He has promoted structural reform measures which encourage the larger, more efficient enterprises and help smaller farmers to leave agriculture. He has shown some willingness to reconsider EC farm policy and to contemplate a partial replacement of emphasis on prices with direct income assistance, but he has been very cautious.

At the beginning of 1972, Minister Ertl began to show some flexibility toward the idea of direct income payments. In a March interview, he said:

> Within the EEC, three essential problems remained unsolved—surpluses, income and structure. . . . We should therefore be ready in the EEC to reflect on new approaches and not to limit ourselves to improving the exist-

Continued on page 16

Prospects of Strong World Grain Trade

Assistant Agriculture Secretary Brunthaver says "I cannot see any way U.S. farmers can produce surplus crops this year . . . we're going to be more concerned with meeting market demand."

I CANNOT SEE any way that U.S. farmers can produce surplus crops this year—even if the weather is perfect from today through harvesttime. Even with ideal weather, we are going to be more concerned with meeting market demand this year than with worries about oversupply.

This is a dramatic change. I vividly remember 1969, when Secretary Hardin was terribly concerned about the prospect of a 5-billion-bushel corn crop, with depressed prices for farmers and a big buildup in feedgrain stocks. This year we are looking for strong feedgrain prices if we get a 6-billion-bushel corn crop. We expect to use nearly 5 billion bushels of corn right here at home.

Something similar is happening in the world's wheat markets. The outlook is for record world wheat production—and continued strong prices! In spite of an expected slight drop in import demand, wheat output will barely cover needs, and the world's wheat stocks are the lowest they have been in 20 years. With feedgrain demand booming too, wheat prices are expected to hold near the recent strong levels.

Stocks in the major exporting countries on June 30 will probably be less than 30 million metric tons. This compares with almost 69 million tons 3 years ago. The last time stocks were this low was in 1952, at a time when world wheat trade was less than half what it is now.

World wheat production is expected to be 10 percent higher this year, at 330 million metric tons. Nearly all of the increase will come from the major exporting countries and Russia. Russia, of course, will be recovering from its exceptionally poor 1972 crop. Soviet production should be up by at least 10 million tons. The United States wheat output will be up by 6 million tons, we think, and the combined output of Canada and Australia will be up some 8 million tons. Elsewhere, however, we look for less production. The wheat crops look smaller in Western Europe, Eastern Europe, and the Middle East.

There are two reasons why production outside the major exporting countries is not expected to increase next year. First, many of them had above-normal years in 1972. Second, most of these importing countries have already been holding wheat prices above world market levels—and their farmers are not seeing any price increase for their wheat.

Another factor in both the exporting and importing nations is that prices and incentives for feedgrains, oilseeds, and even forage for livestock have increased—and limited the shifting of additional land into wheat that might otherwise have occurred.

Here is how we see the world wheat market: Russia will probably need less wheat imports; the Middle East and Japan will need more. Several Asian countries took more wheat last year because of poor rice crops, and the world rice supply is very tight again this year.

In all, we expect total world imports of 63 million tons. That is somewhat less than the 69 million tons imported last year. Canada, despite a much larger crop, will have much lower stocks to draw on and will probably not maintain this year's export level. Australia, meanwhile, will increase its exports offsetting Canada. Elsewhere we look for small declines offsetting small increases.

We estimate U.S. wheat exports at 950 million bushels this year, compared with 1,150 million last year. With production estimated at 48 million tons, and the somewhat smaller export total, we may add a few bushels to our very low wheat carryover this year.

LET ME ALSO EMPHASIZE that there are several factors that could have sharp impacts on the market for wheat and other grains . . . and we do not yet know how to weigh them. For example, we do not know how much wheat and corn Russia may want to buy. The Russians themselves do not know how much they will produce this year yet, and we do not know how much they are using or how much they may want to build their stocks.

We do not know if the People's Republic of China will be in the market for grain this year—though we know their weather has been far from ideal.

We do not know how much protein meal will be available to the world's livestock feeders this year. The Peruvians have halted fishing again and there may not be much fishmeal.

It is entirely possible, too, that the food situation in Asia may worsen, increasing their import needs.

Canada has had a dry season so far. Some recent rains have helped, but they do not have the moisture to produce a full crop yet by any means.

Finally, we do not know how many acres of crops our Corn Belt farmers will be able to get planted. This could have a big effect on the market later this year and next.

I think it is a startling thing to be able to say that the world's wheat crop is going to jump 10 percent—and that wheat prices are holding strong.

The market will probably take a billion bushels more corn this year than it took just 4 years ago—and take the extra grain at strong prices.

Soybeans are in such tight supply that I heard an elevator in Indiana is offering farmers $8.10 a bushel for any soybeans they have lying around—and the elevator will come and pick them up!

This is a remarkable period in American farming. We may well be seeing the turnaround of the 40-year-old farm problem. Secretary Butz calls this a historical hinge-point.

Today, however, the revolution in agriculture is being overtaken by a revolution in consumer demand.

We have a strong growth trend in farm product demand. Last year's buying by Russia and China attracted a lot of headlines, but the growth trend was there earlier.

Continued on page 12

Based on remarks by Mr. Brunthaver before the Union Equity Cooperative annual meeting, Enid, Oklahoma, May 1973.

Canada's Livestock Outlook Rosy As Prices, Demand Strengthen

Canadian meat supplies may be somewhat more abundant this year—but prices are sharply higher due to vigorous domestic demand.

According to the Canadian Department of Agriculture's spring outlook report for livestock, increases in slaughter and feeder cattle prices last year will continue throughout 1973—with beef prices also continuing high.

During 1973, producers are expected to reap higher earnings from hog and sheep marketings. Wool prices should remain strong. Broiler chicken and turkey production is likely to climb in the next few months, with prices remaining firm or advancing slightly—Sales of milk and dairy products will expand.

Because of geographical proximity and relatively unrestrained trade between Canada and the United States, Canada's livestock economy is closely linked with U.S. production, prices, and demand. U.S. cattle, hog, and poultry prices exert a major influence on Canadian prices and significant changes in U.S. market prices are reflected in receipts received by Canadian producers.

Beef production is becoming increasingly important in Canada's agricultural economy. Last year, according to Statistics Canada, gross sales of cattle and calves accounted for nearly one-quarter of all farm cash income in Canada. For 1973, farm income from cattle sales is expected to continue to grow.

Cattle slaughter under federally-inspected programs in 1972 gained 3.3 percent over 1971. Because carcass weights increased by an average of 3 pounds each, however, beef output in pounds was slightly higher—about 3.8 percent over last year's level.

Early 1973 cattle slaughter averaged 5.8 percent higher during the first 10 weeks than the comparable period of last year. Carcass weights were similar to last year's. Slaughter for all of 1973 could range 4 to 6 percent higher than 1972.

In 1972, cow and heifer slaughterings were both down, by 11 and 4 percent respectively, compared with 1968–69. This is most likely a result of recent efforts to build up beef cow herds, particularly in Western Canada.

The growth in beef cow numbers in Canada and the resulting increases in the beef calf crop caused cattle inventories on farms and ranches to climb in 1972. Total cattle and calves increased 3.7 percent during last year, with beef cows up 6.7 percent, steers up 3.5 percent, and calves up 4.7 percent.

The 1972 rise in the numbers of steers and calves on farms and ranches is suggestive of a growth in slaughterings of these animals during 1973. Cow and heifer slaughter may also show some increase this year—especially cows—reflecting the heavy movement of younger females into beef breeding herds since 1969.

Another indication of ongoing expansion in beef production is the growing numbers of feeder cattle in the feedlots of both East and West Canada. With ample space in feedlots and strong fed cattle prices in 1972, there is strong feedlot demand for all potentially available feeder cattle. Further, the trend toward feedlot feeding a larger proportion of the total calf crop is strengthening.

This spring, however, high feed costs may be a major incentive for cattle feeders to ship cattle to markets as soon as acceptable grades are reached. Resulting lower weights could temper the 1973 increases in fed beef production somewhat.

During 1972, feeder cattle prices averaged at record levels, continuing to rise into the first 3 months of 1973. Feeder cattle purchased at recent high levels will need to be sold on a high fed-cattle market to cover all costs.

Fed cattle prices in 1972 were appreciably higher than 1971 prices, despite increased slaughter at heavier weights and higher beef imports—both of which expanded supplies appreciably. Average prices for choice steers at Toronto in 1972 were 8 percent higher than comparable 1971 prices. Canadian prices for choice steers have increased for 8 consecutive years, excepting a slight drop in 1968.

Although fed cattle prices during spring 1973 are expected to be above 1972, considerable uncertainty exists about specific levels. Main uncertainties will be U.S. prices and possibilities of changes in the strength of consumer demand. If demand and U.S. prices continue strong and if competing pork supplies don't increase sizably until late 1973, fed cattle prices will continue high.

In the longer run, however, beef cattle prices could level off or even turn downward within a year or two. Potential for increasing beef output has been building. Should cow marketings grow much above current levels within the next few years, slaughter could rise appreciably. This would, of course, increase beef supplies and pressure prices down—especially if the expansion in cattle slaughter coincides with the next cyclical peak in hog slaughter. Either or both situations could occur in 1974.

Strong byproduct prices have been a positive factor in upping cattle prices. In March 1973, the value of hides and other byproducts per steer was estimated to be about 65 percent higher than last year, in response to high world demand for leather products and greater use of leather for apparel as well as footwear.

Nearly all of Canada's trade in live

cattle and calves is with the United States. Last year, a new market developed, as veal calf exports to Western Europe surged in response to shortages there. Of Canada's 144,367 live calves exported last year (weighing 200 pounds or less), 89 percent went to the United States, 4 percent to Italy, 3 percent to Belgium-Luxembourg, 2 percent to the Netherlands, and 1.5 percent to Greece.

Exports of feeder cattle (200–700 pounds) from Canadian ranges to U.S. feedlots reached the highest level since 1968—totaling 58,688 head in 1972, compared with only 16,990 head in 1971.

High meat demand at home caused Canada's exports of beef and veal to plung in 1972 to 67.6 million pounds, compared with 87 million pounds in 1971. Most dressed beef exports were to the United States in boneless form, followed by a smaller volume of exports to Caribbean countries.

Canadian imports of live beef cattle—nearly all for slaughter—have risen to substantial levels in recent years. In 1972 Canada purchased 23,798 head of slaughter cattle from the United States, compared with only 545 head in 1968.

Beef imports grew by 25 percent last year, increasing to 144.5 million pounds. Oceania—Australia and New Zealand—was the main source of imports, which were principally of lower grade, manufacturing beef. From the United States, Canada increased imports of fed beef—most in the form of cuts for the hotel, restaurant, and institutional trade.

Hog industry highlights during 1972, according to the spring outlook report, were heightened consumer preference for pork, the highest exports in over 20 years, and a dramatic rise in hog prices—a trend that has continued into 1973.

For 1972, farmers' receipts from hog sales are estimated at record levels—30 percent higher than 1971—and income from hog marketing is projected to rise even further this year.

Following its usual cyclical trend, hog slaughter edged downward in 1972 from the record 1971 level—but at 9.4 million hogs, was still the second highest on record. Slaughterings are likely to be below the first 6 months of 1972 in the first half of 1973, but rebound to surpass the 1972 number.

According to a March 1, 1973, hog survey, hog numbers on Canadian farms totaled almost 7 million, down 2 percent from last year. Farrowings early in 1973 were 2 percent below the corresponding period of last year, but for spring and summer 1973 are expected to be up 1 and 4 percent, respectively, over last year. Whether high prices of feed concentrates and protein supplements will change hog farmers' farrowing plans is not yet known.

In view of past upswings in the hog cycle, the planned expansion in hog production appears relatively small. The usual pattern is for farrowing levels to build up further after the production cycle has turned up, which suggests that slaughter is likely to increase in 1974. However, the expansion now underway is starting from a comparatively high base.

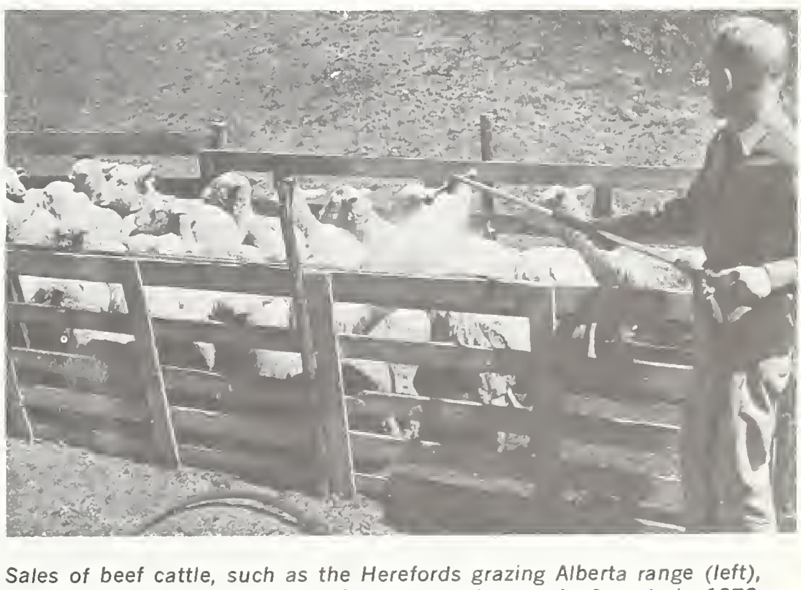
A dramatic rise in hog prices since November 1972 far exceeded expectations. Hog prices per hundredweight at Toronto shot up some 39 percent during 1972, with prices for March 1973 averaging about 58 percent higher than those in March 1972. Growth in demand was larger than can be explained by past price-supply-demand relationships.

Partly explaining the unusual price rises were higher per capita incomes—heightening demand for red meats. Strong beef demand had an upward influence on hog prices.

Further, consumer preferences were stimulated by more sophisticated merchandising techniques. Abundant supplies of pork in markets have lessened seasonal variation in availability.

Canada's pork exports in 1972 advanced to 111 million pounds—the highest since 1948. Although the majority of the exports moved southward to the United States, a relatively new trend was a spectacular rise in exports to Japan, which took 45.5 million pounds last year. Live hog exports—most destined for U.S. slaughterhouses—rose to total 87,495 head.

On the other hand, pork imports continued strong, totaling 41.7 million



Sales of beef cattle, such as the Herefords grazing Alberta range (left), accounted for about a fourth of farm cash income in Canada in 1972. Above, sheep are sprayed on a ranch near Maple Creek, Saskatchewan.

pounds, compared with 23.7 million pounds in 1971. Imports from the United States at 33.9 million pounds accounted for nearly all the gain, with imports of hams and bellies recording the largest share.

Canada's federally inspected slaughter of **sheep and lambs** continued high in 1972 and early 1973. Federally inspected slaughter, comprising 46 percent of all slaughter in 1971, rose 5 percent in 1972. During the first 10 weeks of 1973, federal slaughter soared almost 10 percent compared with the same period last year.

Total sheep numbers on Canadian farms declined 2 percent in 1972 from 1971 numbers, with a 7-percent drop in lamb numbers. Combined with the higher slaughter rates, the decline in flocks suggests there is no immediate prospect of this industry expanding unless lamb slaughter is reduced substantially.

As in the cattle and hog markets, prices for lambs rose in response to consumer meat demand during 1972. Lamb prices are expected to be seasonally high this spring, but drop in the last half of 1973. In 1973, however, prices should average well above year-earlier levels.

Canada's output of shorn wool declined 1 percent in 1972, reflecting world patterns. But wool prices increased sharply last year, in relation to extremely low prices in 1971, and will probably remain strong this year, as supplies continue relatively short.

Total Canadian production of **poultry** meat in 1972 is estimated at 976 million pounds, a 3.3-percent increase from 1971 output of 944 million pounds.

The major portion of the rise was due to expanded broiler production, up 6.5 percent to an estimated 670 million pounds. Increased demand owing to relatively stable prices for chicken in 1972, compared with other meats, and lower opening stocks in 1972 than the previous year sparked the higher output.

Broiler chicken production during January and February 1973 exceeded the comparable 1972 months by 8 percent. Output during March-May is expected to show a similar 8-percent gain—totaling 152 million pounds—and is likely to continue high throughout the summer months.

Domestic disappearance is also greater than a year ago, but not high enough to use all the production. As of February 1973, stocks of broilers, roasters, and further processed chicken at 28 million pounds were 27 percent over last year's stocks.

Principally because of higher red meat prices, broiler chicken prices to producers registered sharp gains during early 1973, averaging 24 percent higher this March than last. Prices at the wholesale-to-retail level were a comparative 21 percent higher on March 1 in Montreal.

"Increases in slaughter and feeder cattle prices will continue into 1973 . . . producers are expected to reap higher earnings from sheep and hog marketings."

Broiler turkey production appears headed for a 16-percent rise during March–June 1973 over the corresponding 1972 period, and prices are expected to remain steady. Stocks of broiler turkeys are relatively low, but increased from 3.9 million pounds on January 1, 1973, to 6.8 million pounds on March 1. Disappearance, in early 1973, although greater than a year ago, had not matched production—a normal situation before Easter.

Heavy turkey slaughter in the first 2 months of 1973 was much above last year, totaling 7 million pounds compared to 4.5 million pounds in early 1972. Domestic disappearance is also much greater than a year ago. This increased demand is expected to continue if turkey meat prices remain in the same relation to red meat prices as currently.

Although marketings are forecast to rise to 35.8 million pounds from March to August 1973, disappearance is likely to be 5 percent over the same period last year, indicating that close to 4 million pounds must come from stocks, imports, or broilers fed to heavier weights.

Waging a battle against low prices from overproduction, Canada's egg producers received some relief in 1972 as total output declined 4.8 percent to 467 million dozen. Lower production and higher prices were achieved by the federal fowl slaughter program, lower egg prices in the first half of the year, and industry stability in anticipation of creation of the national egg marketing agency on January 1, 1973.

This year's egg output is expected to remain from 4 to 8 percent above table egg needs until June. Before June, prices are likely to be steady to low, but could strengthen in July and August.

Canadian **milk** production, according to the spring outlook report, was 17.7 billion pounds in 1972, a decline of less than 1 percent from 1971. This year, short feed supplies and high prices will continue to limit milk production in certain high-producing areas, with little improvement until cows are on pasture.

Dairy cow numbers on farms remain about the same as previous years. Nevertheless, milk output this year is likely to rise by about 3 percent over 1972 levels.

Increases in feed costs, labor, and other farm inputs are likely to limit gains in farmers' net incomes.

Cheddar **cheese** production will probably be close to 1972 output, but consumption is expected to advance slightly. The entry of Canada's largest cheddar market—the United Kingdom—into the European Community may adversely affect export levels. U.S. import quotas have recently been relaxed. Some small increases could occur in exports of Cheddar and other cheeses to newer markets, particularly in the Caribbean.

Production and consumption of other whole milk cheeses are expected to rise, and cottage cheese output will move ahead moderately. Ice cream mix is forecast to show a modest 2-percent gain in both output and consumption, while production of concentrated whole milk products will remain steady, with consumption off somewhat.

Considerably more milk will probably be available for creamery **butter** manufacture than was available in 1972. Reflecting this potential, skim milk powder production may reach 370 to 375 million pounds. Domestic usage of skim milk powder is not likely to exceed 1972 levels, leaving a 250-million pound exportable surplus. Since prices for skim powder on world markets will probably be lower than in late 1972, exports are likely to require assistance this year.

Florida Citrus Promotion—Story of a Three-Way Partnership

By HOWARD J. CONNOLLY
International Marketing Director
Florida Department of Citrus

FLORIDA CITRUS is thriving in the European market; it has attracted some of the Continent's most competent, reliable, and successful marketers and distributors. But quality alone has not brought Florida's citrus exports success; it took a complete reorientation in the attitude of the Florida shipper, and a three-way involvement of shipper, U.S. Government, and importer.

From the 1930's into the mid-1950's, some of Florida's citrus processors and shippers apparently felt their product was so desirable that a foreign market would exist any time they deigned to offer some for shipment. This attitude not only proved completely erroneous, but created a completely negative impression in the mind of the European buyer. But since 1964, a concerted and successful effort has been made to overcome both the attitude and the impression.

Florida had never really been a major factor in the exportation of fresh citrus. Before World War II, a few adventurous shippers occasionally sold some of their fruit to Europe, but their approach was strictly on an in-and-out basis: if a shipper felt like offering some for sale, if he thought there was some excess, and if he thought he might be able to take some product out of the available inventory, then he would make an offer through an agent in one of the major European markets, and sometimes a sale would be made.

Generally, the quality of the fruit shipped was acceptable, particularly compared with some of the fruit available from citrus-producing countries in the Mediterranean area. Florida had reached a point of technical sophistication and achievement in certain horticultural practices that resulted in good-quality fresh citrus. The major problem was that of shipping the fruit by vessel.

Ten days at sea was not an uncommon length of time; refrigeration aboard the vessel was questionable; and there were indeterminable delays both at the port of loading and at the port of delivery, so that in some instances the fruit was in transit from the day it left a packinghouse in Florida to its arrival at the marketplace in the European country as long as 25 days later.

After World War II, with the advent of peace and reconstruction, a whole new set of circumstances started to appear. The United States maintained a very large force in Europe, both civilian and military, during the days of economic rehabilitation and the administration of the Marshall Plan. During this time, in order to satisfy these overseas U.S. consumers, a great quantity of citrus products was made available—not only fresh citrus, but processed citrus in the form of canned juices and canned grapefruit sections. Much of this canned citrus was also distributed through various food plans that were operating directly after the war for the European people.

All of this really afforded the Florida citrus industry a supergigantic sampling opportunity, and in general, acceptance by those who were so exposed was good.

As a degree of normalcy returned to Europe, some Florida processors and shippers recognized that a potential market had been created and became interested in developing it. Unfortunately, their interest was not fully matured, and their attitude of offering product only when it was in surplus did little or nothing either to attract the European buyer or to establish Florida as a dependable source of supply.

During this time, some other citrus-producing areas, recognizing this market potential, jumped in and filled the void by developing European sales agencies as well as establishing brand identity and pushing hard to establish a place in the market for their products. Certainly, California has done an excellent job in the past 25 years in establishing the Sunkist brand as a high-quality citrus fruit. A similar comment could also be made of Israel, with its Jaffa brand; South Africa, with its Outspan brand; and other countries.

During these early years of the 1950's, the Florida Citrus Commission, feeling it had a responsibility to develop the European market, estab-

Citrus concentrate is prepared in Dade City, Fla., plant.

lished a field representative in Brussels. Budgets were set up and moneys appropriated and spent, to gain some recognition for Florida citrus products on a generic basis. But after almost 10 years, it was determined that a new approach was necessary. In fairness to the efforts expended during this time, it should be noted that Florida suffered two rather crippling freezes which not only severely curtailed exports but seriously affected the domestic market.

As Florida recovered from these severe freezes, growers were putting in large acreages farther south in the State to get away from any freeze damage. It became obvious that supplies were going to be plentiful. In late 1966, Florida had the opportunity to market the largest orange crop it had ever produced—143 million boxes, a 30-million-box increase over the preceding year. This record production was the reality that every Florida citrus grower had dreaded and feared for many years.

Fortunately, however, in the latter part of 1965 the Florida Department of Citrus had started to develop a plan for marketing Florida citrus in Europe. This program basically would involve three partners—the Foreign Agricultural Service of the U.S. Department of Agriculture, the Florida Department of Citrus, and the European importer—who would share the costs of advertising, promotion, and merchandising. Thus, the concept of what is now referred to as the Three-Party Program was developed; and one of the plans immediately put into motion for marketing the record 1966–67 orange crop was the implementation of this program for the sale of Florida citrus in the export trade.

In its initial year, the Three-Party Program attracted only a few interested European distributors and was not easy to sell. The prime requirement for success, of course, was to involve Florida suppliers who were dedicated to the idea of exporting and who were willing to accept without question the fact that they must provide their European customers with adequate supplies on a year-in and year-out basis. Once this premise was adopted by the interested parties, the program moved ahead rapidly.

Florida's bestseller at home, frozen concentrated orange juice did not have the same appeal in the marketplace in Europe, primarily owing to problems of distribution and the lack of freezer space in homes. But fortunately Florida had developed a new product—pure, natural, single-strength orange juice of exceptionally high quality that was packed in glass containers and could be shipped and distributed without refrigeration. This product seemed to have a magic drawing power, and in the latter part of the 1960's it made a tremendous impact in the Scandinavian countries as well as in France and Germany. The efforts put forth by its processors really created a whole new market.

The program's concept of providing support monies for the promotion of a local brand distributed by a local business proved to be correct. Certainly, no one could be more aware of his own market or have a greater insight into its characteristics than the local distributor, and it was he who shared in providing the monies for establishing a particular brand that was identified as being a product of the Florida citrus industry.

This particular requirement—that the brand name and its Florida identity be closely associated—had helped to establish in the mind of the consumer the idea that Florida and quality are synonymous. In the heat of the competitive marketplace, the Florida product has sold for a higher price than similar products from other citrus-producing areas; and in spite of this price differential, Florida has been able to maintain what it considers a fair share of the ever-increasing market. Sales, measured in single-strength gallons, have doubled in the past 3 years; and in 1973–74, in spite of the most severe competition from other countries—particularly from Brazil—at least a 15-percent increase over the previous year is anticipated, which will put sales well over the 20-million-gallon mark for this period.

Another encouraging sign is that in spite of this competition, Florida processors are finding new European buyers. The typical new buyer, they feel, is attracted both by the quality of the Florida product and by the advantages of the Three-Party Program. Within that program, he has two partners who will contribute not only part of the cost of promoting and marketing, but the refined marketing knowledge that can help him establish a strong, viable market for his brand of citrus product.

Florida Tour Wins European Buyers for State's Produce

Representatives of eight European markets visited the Florida fruit and vegetable industry recently as part of the State's long-term export expansion program. Exports represent a market of more than $50 million for Florida's fresh fruits and vegetables.

The 5-day tour and seminar were sponsored by the Florida State Department of Agriculture. Taking part were representatives of some of the largest retailers and importers in France, the United Kingdom, Belgium, West Germany, Switzerland, Norway, Denmark, and Sweden.

During their March 4–9 stay in Florida, the buyers toured producing areas, traveling through fields and citrus groves and processing and packing plants, beginning in the Homestead area of southern Florida and ending in the west coast citrus area. Typically, each day began with a conference on some major aspect of marketing, such as inspection, transportation and handling, or research, followed by an on-the-spot visit to producing and processing facilities. At the trip's end, a day was devoted to a seminar recapping events and reviewing recommendations of the visiting buyers, with further comments from suppliers and the transportation industry.

Special emphasis was directed to the wide and excellent assortment of Florida products available for export. The face-to-face meetings of buyers and producers provided an unusual opportunity for discussions on European requirements, problems, prices, delivery, and other matters of mutual interest.

The buyers, who came prepared to make purchases for immediate shipment to their European customers, said they were greatly impressed with the efficiency and size of some of the Florida producers' and packers' operations. They also commented on the excellent quality of the produce they examined.

And they bought—sweet corn, rad-

ishes, peppers, celery, grapefruit, and other produce. One order called for weekly shipments of two containers of grapefruit. Several of the buyers were intrigued by the idea of developing a European market for Florida watermelons, and they arranged for visits to their countries by the Watermelon Queen.

The volume of sales to the countries represented by the group has been restricted somewhat in the past by a number of factors, but particularly by the lack of adequate transportation facilities. In an attempt to overcome some of these handicaps, carrier representatives reviewed the individual needs of each buyer.

High on the buyers' priority list for transportation was the need for smaller shipping containers or a means of combining several commodities in one container. Likewise, it was pointed out that marine carrier service for deliveries to certain ports needs to be improved. On air service, the buyers commented that perishable shipments by air need to be given high priority on space availability to prevent spoilage and to ensure timely arrival.

In response to buyers' remarks, the carriers pointed out that new equipment was being developed to better serve the requirements of sensitive products. However, they stressed that for their industry to operate effectively, they need firm commitments from buyers and shippers detailing the volume scheduled and the products' requirements for protection.

Carrier representatives pointed out that if buyers could coordinate their orders, supply could be consolidated at point of origin and shipped as one unit. Some efforts have been made elsewhere in the United States under the Webb-Pomerene Act to consolidate agricultural shipments. Organization under this Act would permit several Florida firms to export as one shipper.

Both buyers and carriers noted problems with freight rates, and agreed there may be a need for rate equalization between the United Kingdom and other European ports.

The buyers also stressed need for—

- A definite commitment from Florida producers to provide a regular supply of quality agricultural products.
- Careful attention to Common Market grade standards and to the quality and packaging required by European buyers and consumers. For instance, the 1-percent waste permitted in the United States is considered excessive by the Europeans, who feel they need 100-percent soundness on arrival. (However, USDA's grade standard specialists state that they have learned from long experience that zero tolerances are not commercially feasible.)
- Availability of required documentation prior to or at time of the products' arrival in country of destination.
- Emphasis on "Florida" in labeling and promoting fruits, rather than on private brands, the names of which do not mean much to European buyers.
- Assistance in showing European consumers how to use Florida products.
- Product labels that are descriptive and "speak" to the European homemakers.
- Containers of the right size and type to meet European needs.
- Sensitivity to the widespread concern over pesticides and related problems, such as objection to the odor of fungicide on fruit.

Exporters attending the seminar discussed the need for educating Florida producers on the potential and requirements of export markets. There was general agreement that an education program would help achieve full commitment by the producers to an export program. Some buyers expressed a willingness to cooperate in test shipments aimed at developing export market outlets for certain Florida fruits and vegetables not now sold abroad.

Sponsors of the program felt the seminar brought much better understanding of the needs and problems of both buyers and producers. The buyers strongly recommended that a counterpart tour in Europe be organized (hosted by European importers) to better acquaint Florida shippers with the sales and distribution of fruits and vegetables in these customer countries.

Top, John Stiles (left), Florida Department of Agriculture, and Tom Poerstal (right), FAS, look on as manager shows buyers through citrus grove. Above, Swiss buyer and Doyle Conner (left), Florida commissioner of agriculture.

PROSPECTS OF STRONG WORLD GRAIN TRADE

Continued from page 5

It is basically due to more people getting more income and upgrading their diets—in the United States, in Western Europe, in the developing countries, and all around the world.

Here in the United States, per capita disposable incomes have risen 63 percent just since 1966; beef consumption has risen in turn, and feedgrain utilization has jumped by 35 million tons a year.

The increase in export demand has been even more dramatic, because the income changes have been more dramatic. Both the developed nations and the developing ones have been achieving real growth in output of 3 to 4 percent per person per year. Many nations and areas still have serious economic problems of course—but many are achieving remarkable growth.

Everyone knows that the economies of West Germany and Japan have been growing fast. But Yugoslavia has increased its index of economic production by 50 percent in 5 years. Spain, which most of us still think of as a quiet vacation spot, had the fastest-growing industries among major Free World nations last year—with a 7.5 percent increase in industrial output.

> ***"It is basically due to more people getting more income and upgrading their diets—in the United States, in Western Europe, in developing countries, and all around the world."***

Mexico is building a livestock industry to provide meat for its increasingly affluent consumers. Mexico bought a million tons of feedgrain last year—its first major feedgrain imports—and may be in the market for another half million tons this year.

Taiwan is a dramatic example of economic growth. In just a few years it has changed from a rural island to a major world producer of electronics equipment. As a matter of fact it produces most of the world's black-and-white TV sets. Workers are moving from farms to factories, increasing their incomes—and eating better.

Taiwanese farmers used to feed their hogs on sweet potatoes. Today, they feed their pigs on feedgrains and soybean meal imported from the United States. With this better diet, they have doubled their pork production—but the appetite for pork is so strong they have still had to institute export controls on pork. Taiwan has just signed a 3-year agreement with the United States to take a minimum of $800 million worth of wheat, feedgrains, and soybeans in the next 3 years. (See *Foreign Agriculture,* May 7, 1973.)

Korea is another dramatic story. Korea is a booming complex of heavy industry today. Its steel industry is especially strong. It has a literacy rate of nearly 90 percent, a good transportation and communications system, and is attracting large amounts of investment capital. Here, too, incomes are rising fast.

The key equation in the whole demand revolution is that it takes at least three to five times as many agricultural resources to produce a livestock calorie as it takes to produce a grain calorie.

Only one-fifth of the world's population can currently afford to get much of its protein from animal sources—and already we have a world-wide shortage of beef and beef cattle. Meat prices in the United States have gone up in response—and meat prices in other world capitals are generally even higher than ours. The trend is pretty clear.

This is quite a different phenomenon than the "world food crisis" that drew so much attention in the mid-1960's.

The export demand we are looking at now is real, effective demand from buyers with cash in hand. They want livestock products; they want the grains and soybeans that are the raw materials for livestock production; and they want more of them every year. This demand—and the "livestock calorie multiplier effect"—is what makes the future of U.S. agriculture look so bright today.

World agricultural trade has been growing with the demand for food—and the United States has been getting a major share of the growth.

World feedgrain trade grew about 5 percent per year during the 1960's—and in the past 3 years this rate of increase has jumped to more than 9 percent a year.

Since 1970–71, world feedgrain sales have increased from 44 million metric tons to a projected 58 million for 1973–74. The United States is providing all of the increase.

The world's wheat trade has been gradually shifting from a concessional to a commercial basis, as people and nations get more money.

> ***"The export demand now is real, effective demand from buyers with cash in hand . . . This demand, and the livestock-calorie multiplier effect, is what makes the future of U.S. agriculture look so bright today."***

World trade in oilseeds has been growing the most dynamically of all. It has increased between 8 and 10 percent annually for the past 10 years, and is currently $2\frac{1}{2}$ times its 1960 level.

U.S. oilseed exports have increased nearly 400 percent—from 3.7 million metric tons in 1960 to more than 14 million tons expected this year. We could have sold considerably more soybeans in the past 2 years if we had produced them.

This growth in demand for farm products is vitally important to every farmer; it may be the opportunity we have been waiting 40 years to get.

Price problems for American agriculture have not been completely eliminated. However, I think within the next few years that growing consumer demand around the world is going to take up the slack in farm production capacity. At that point, I think we will worry much less about surpluses and more about meeting consumer demand. I think we will worry far less about Government farm programs and more about what our market alternatives offer.

I think agriculture is finally about to get its chance to really show what it can do.

CROPS AND MARKETS

U.S. Calls for Sharing Of Food Aid Burden

A U.S. Government official has called for greater sharing of responsibility to meet world food-aid needs.

Andrew J. Mair, Deputy Assistant Secretary for International Affairs and Commodity Programs of the U.S. Department of Agriculture, told a World Food Program meeting in Rome that recipient countries must take the initiative and move more decisively to free themselves of hunger.

"Only they, in the final analysis, can transform their societies of need into nations of sustained growth and development," he said. "Planning for the future must spring from a long-term commitment to the future."

Mr. Mair spoke after being elected Chairman of the World Food Program's 24-nation Intergovernmental Committee at the opening ceremony to commemorate the program's 10th anniversary. The program is sponsored by the United Nations and the Food and Agriculture Organization.

U.S. Exports to Communist Countries Expected to Continue at Record Levels

U.S. farm exports to Communist countries set a new record in calendar 1972, and even greater sales are likely this year, the U.S. Department of Agriculture (USDA) has announced.

In its annual review and outlook report on the agricultural situation in Communist countries, USDA's Economic Research Service said that in 1972 the United States sold approximately $284 million in farm products shipped directly to Eastern Europe, plus a sizable but still unknown amount through transshipments and interzonal trade, and $58 million to the People's Republic of China (PRC). U.S. farm exports to the Soviet Union amounted to about $434 million.

The report said that during fiscal 1972–73, U.S. farm exports to the Soviet Union alone are estimated at more than $1 billion. Current estimates also indicate sharp increases in exports to Eastern Europe and the PRC, making it likely that the 1972–73 U.S. farm exports to all these countries will approach $2 billion.

For the Soviet Union, grains—especially wheat—will comprise the highest percentage of the 1972–73 U.S. agricultural exports. Though future Soviet grain purchases are not likely to match the huge 18-million-ton sale of last summer, a continuing important need for grain imports is foreseen. More buying of soybeans is also likely.

In Eastern Europe, the record amounts of U.S. grain now being delivered will push the value of U.S. farm exports to the region up sharply. Monetary realinement, making U.S. exports less expensive in most East European countries, is also expected to favorably affect the U.S. farm trade picture in that region.

The 1972 shipments of grain and vegetable oil to the PRC were the first U.S. agricultural exports to the area in two decades. They apparently were needed to supplement reduced PRC production of several basic farm commodities due to bad weather.

A copy of *The Agricultural Situation in Communist Areas: Review of 1972 and Outlook for 1973,* ERS–Foreign 350, is available free on postcard (please include zipcode) or telephone (447–7255) request from the Division of Information, Office of Management Services, U.S. Department of Agriculture, Washington, D.C. 20250.

Foodgrain Storage Project Financed in Bangladesh

Sweden and the International Development Association (IDA), an affiliate of the World Bank, are jointly providing credits to Bangladesh of $5.53 million and $19.7 million, respectively, for a project for the storage and handling of foodgrains.

The main elements of the project are construction of four foodgrain storage silos and supporting facilities; training of personnel to operate the silos; establishment of an infestation control program for traditional grain storage facilities; and a feasibility study for a second foodgrain storage project.

Started earlier by Pakistan, the major portion of the project has been completed and these facilities played a major role in helping Bangladesh to avert famine in the aftermath of the events of 1971. The work remaining to be completed includes some supporting facilities for silos and strengthening the infestation control program.

IDA is also making an $18.5-million credit available to Tanzania for a broadly based, integrated livestock development program costing $24.7 million equivalent to improve beef output, marketing, and processing.

FATS, OILS, AND OILSEEDS

Portugal Puts Soybean Oil on Edible List

On May 25, 1973, after nearly 5 years of representations by the United States, Portugal agreed to place soybean oil on the edible food list. This move opens the growing domestic liquid oil market of Portugal to soybean oil produced from imported U.S. soybeans.

World Fats and Oils Output Estimate Down

World production of fats and oils is now estimated at 42.6 million metric tons—272,000 tons above the 1972 volume. This year's increase, which includes availabilities from Northern Hemisphere 1972 crop harvests, is approximately 725,000 tons below the normal world increase which usually approximates 1 million tons per year.

The reduced growth in world output of fats and oils this year reflects a decline of more than 500,000 tons in foreign production due to a sharp reduction in coconut, peanut, sunflower, rapeseed, and fish oils. This will be only partly offset by increased production of soybean, palm, and cottonseed oils.

Increased U.S. output this year, largely soybean and cot-

tonseed, will account for a substantial fraction of total growth. This is in sharp contrast to last year when the foreign sector accounted for all of the growth in output.

DAIRY AND POULTRY

Nonfat Dry Milk Quota Increased

The U.S. import quota for nonfat dry milk has again been temporarily increased for 1973, bringing the year's total to 86,807,000 pounds. On May 10, President Nixon issued a proclamation authorizing an additional 60 million pounds. The regular annual quota is 1,807,000 pounds and an additional 25 million pounds were authorized on December 30.

The action was taken to relieve a tight U.S. supply situation. Adverse weather, high feed prices, and a shift of milk flows away from butter/nonfat plants to cheese factories have slowed the seasonal upturn in production of nonfat dry milk; at the same time, commercial disappearance has increased markedly.

Prices in recent weeks have been 6–7 cents above the support level of 37.5 cents per pound. Because of the supply situation, the President invoked the emergency powers of Section 22, making the action effective the day after issuance of the proclamation. The official terminal date is June 30, 1973, but it is expected that the entire 60 million pounds will enter within a few weeks.

As previously, imports will be admitted on a first-come, first-served basis so import licenses will not be required and there will be no country allocations. Individual importers are limited to 2.5 million pounds per importer.

West German Poultry Imports Subject to New Law

The West German Bundestag has passed a new poultry hygiene act which will have an important influence on trade. It is to become effective September 1, 1973, for intracommunity trade; April 1, 1974, for imports from third countries, including the United States; and on March 1, 1976 for internal West German poultry trade.

While the impact of the legislation cannot be fully assessed until the implementing regulations ("ordinances") are released, the new features potentially affecting U.S. exporters center upon assignment by the German Official Veterinary Service of a plant control number to each slaughtering plant engaged in supplying West Germany and possible inspections by German veterinarians. Such provisions are already in effect for red meats. They are counterparts to regulations covering foreign plants supplying poultry and red meats to the United States.

In addition, the regulations are expected to ban "community" chillers for chickens, and possibly for turkeys too.

EC Reduces Levies For Poultry and Eggs

The European Community reduced its supplementary levies on several important poultry items on May 14. For most poultry items the supplementary levy is the smaller of the two components that comprise EC total charges against imports, the other item being the variable levy.

The new announcement followed a routine one 2 weeks earlier that prescribed the May-July gate prices, to which the supplementary levies are related. The new change presumably is a response to nonroutine factors that have emerged since the compilation of the data on which the earlier announcement was made. In the interim, there has been no pronounced increase in poultry prices in potential supplying nations, the sharp increases from last year having occurred earlier.

The most important changes from the viewpoint of U.S. trade are for turkey drumsticks and "other turkey legs." The elimination of the supplementary levy on drumsticks and its reduction by 9.2 cents per pound for legs and thighs leave total charges at 7.7 cents per pound for drumsticks and 24.9 cents for legs and thighs. These are equivalent to about 20 and over 40 percent ad valorem, based on current prices in the United States.

Other changes and the remaining effective total charges on the affected items on an ad valorem equivalent basis are: Whole chickens, 23 percent; whole turkeys (Hungary only, supplementary levy against U.S. already zero), 18 percent; chicken halves and quarters, 24 percent; eggs and dried albumin (some origins only, including U.S.), 25 percent for shell eggs.

These changes do not affect subsidies paid by the EC for the export of poultry products outside the Community. The restitutions to exporters are slightly above 6 cents per pound for ready-to-cook chicken and 6.6 cents per dozen for eggs, with other items in proportion.

GRAINS, FEEDS, PULSES, AND SEEDS

Grain Exports and Transportation Trends: Week Ending May 25

Weekly grain inspections for export and grain moving in inland transportation for the week of May 25 and the previous week were:

Item	Week ending May 25	Previous week	Weekly average, April	Weekly average, third quarter
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*
Weekly inspections for export:				
Wheat	755	695	726	637
Feedgrains	693	664	643	690
Soybeans	195	312	284	327
Total	1,643	1,671	1,653	1,654
Inland transportation:				
Barge shipments of grain	241	141	360	495
	Number	*Number*	*Number*	*Number*
Railcar loadings of grain	30,203	30,750	28,705	32,271

Saudi Arabia Concerned Over Rice Supply

Saudi Arabia's rice imports doubled between 1968 and 1971, but the upward trend might be interrupted in 1973, because Saudi Arabia is having difficulty locating enough of the types of rice it usually imports. Government programs to spread the benefits of rising petroleum revenues among

more people have contributed to the increasing demand. Saudi Arabia produced less than 10,000 tons of rice in 1972.

The United States supplied about one-third of Saudi Arabia's rice imports last year. U.S. rice exports to Saudi Arabia increased from 53,000 tons in 1971 to a record 80,000 tons in 1972. Imports from Thailand fell from 120,000 tons in 1970 to 27,059 tons 2 years later, and may fall again in calendar 1973.

Saudi Arabia's imports of rice from Burma and several other suppliers are expected to fall to token levels in 1973. Imports of Basmati rice from Pakistan might reach 20,000 tons—the same as 1970 arrivals. Saudi Arabia will probably require about 150,000 tons of U.S. rice in 1973 because of difficulties in obtaining adequate supplies of rice from other customary suppliers.

Saudi Arabia's total rice imports increased from 124,000 tons in 1968 to about 225,000 tons in 1972. Saudi Arabia (a completely cash market) may become an even larger market for U.S. rice in future years.

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	June 5	Change from previous week	A year ago
	Dollars per bushel	*Cents per bushel*	*Dollars per bushel*
Wheat:			
Canadian No. 1 CWRS-14	3.89	+6	1.97
USSR SKS-14	(1)	(1)	1.85
Australian FAQ [2]	(1)	(1)	(1)
U.S. No. 2 Dark Northern Spring:			
14 percent	3.57	+7	1.87
15 percent	3.62	+4	1.94
U.S. No. 2 Hard Winter:			
13.5 percent	3.51	+9	1.80
No. 2 Hard Amber Durum	3.71	+1	1.87
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	(1)	(1)	1.68
Feedgrains:			
U.S. No. 3 Yellow corn	2.72	+16	1.47
Argentine Plate corn	2.94	+17	1.75
U.S. No. 2 sorghum	2.57	+14	1.42
Argentine-Granifero sorghum	2.57	+14	1.42
U.S. No. 3 Feed barley	2.10	+12	1.23
Soybeans:			
U.S. No. 2 Yellow	12.30	+2.60	3.78
EC import levies:			
Wheat [3]	[4] .84	−11	2.00
Corn [5]	[4] .26	−24	1.32
Sorghum [5]	[4] .48	−20	1.37

[1] Not quoted. [2] Basis C.I.F. Tilbury, England. [3] Durum has a separate levy. [4] Effective October 14, 1971, validity of licenses with levies fixed in advance is a maximum of 30 days. [5] Italian levies are 23 cents a bu. lower than those of other EC countries.
Note: Price basis 30- to 60-day delivery.

Egypt's 1973 Rice Exports

Egypt plans to export about 470,000 tons of rice in 1973, mostly through trade agreements with the Soviet Union, Eastern Europe, Cuba, and Bangladesh.

The USSR is scheduled to receive about one-third of the total, approximately equal to its share in the past 2 years. India, the second largest market for Egyptian rice in 1972, again wants at least 70,000 tons. Exports to Poland, Czechoslovakia, and Cuba—all markets for more than 30,000 tons annually in recent years—are expected to remain about the same. Rice exports to the Near East will probably decline.

Egypt's rice exports in 1972 were about 10 percent below the 515,600 tons exported in 1971. Production declined from 2.61 million tons of paddy rice in 1970 to 2.53 million tons in 1971. Paddy production in the autumn of 1972 (source of most 1973 exports) was estimated at 2.6 million tons. Rice area has not expanded significantly since 1968.

FRUITS, NUTS, AND VEGETABLES

Australian Fruit Growers Get Emergency Assistance

The Commonwealth Government of Australia announced recently details of emergency adjustment assistance payments to canning fruit growers (peaches, pears, and apricots) and growers of apples and pears for the fresh export market. This action was taken on the grounds that such growers were seriously affected by the revaluation of the Australian dollar in December 1972.

Payments to canning fruit growers amount to US$17.10 per ton with a maximum payment of US$2,138 per grower. Payments will be made on the basis of grower deliveries to canneries during the 1972–73 season.

Payments to export apple and pear growers will amount to about 43 U.S. cents per bushel with the maximum again at $2,138. The latter payments will be based on the average exports in calendar 1971 and 1972.

Chile Onion Situation

Chile's onion production of about 50,000 metric tons in the 1972–73 crop year was less than half 1971–72 production. Exports are to be limited to about 5,000 metric tons.

Chile is likely to import only about 5,000 metric tons in 1973, most likely, all from Argentina.

Trade sources say fixed prices are too low for the short supply and predict much "black market" movement.

TOBACCO

Korea Has Record Tobacco Crop

Production of Korean tobacco rose 83 percent in 1972 to set an alltime record of 115,934 metric tons. The increase is attributed mainly to favorable weather during the growing season and—to a lesser degree—to an 11.7-percent acreage increase induced by an early announcement of increased prices for the 1972 crop. In anticipation of a similar price increase in 1973 growers are expected to equal the 1972 acreage increase.

Production, however, may not reach last year's record crop because of extremely favorable weather in 1972.

The surplus 1972 production was sorely needed to replenish Korea's tobacco stocks that had dropped to 13,187 metric tons from a high of 110,012 tons in 1968. This depletion resulted when rapidly expanding domestic utilization and exports overtook static production and imports.

The critically low stocks in 1972 resulted in a tripling of imports from 1,680 metric tons in 1971 to 5,011 tons in 1972 and an 18-percent reduction in exports from 15,600 metric tons in 1971 to 12,856 tons in 1972.

U.S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250

PENALTY FOR PRIVATE USE, $300
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF
AGRICULTURE
AGR 101

U.S.MAIL

First Class

If you no longer wish to receive this publication, please check here ☐ and return this sheet, or addressed portion of envelope in which publication was mailed.

If your address should be changed ☐ PRINT or TYPE the new address, including ZIP CODE, and return the whole sheet to:

Foreign Agricultural Service, Rm. 5918
U.S. Department of Agriculture
Washington, D.C. 20250

FOREIGN AGRICULTURE

0006 TOSKPJD0CA412 10001 0001
RJ TOSKES
DFS OD OIG USDA
WASHINGTON DC 20013

West German Criticism of EC Farm Prices *Continued from page 4*

ing ones. In this respect, it is now clear that it was very problematic to start one-sidedly with agricultural price policy. . . . In Brussels, I shall propose a review of the income situation of the farmers in the Community and of all common and national measures affecting incomes, and such a total review will include not only direct subsidies, but also social welfare and tax policies. . . . Within such a system one will also have to examine the question of direct income subsidies.

In September, however, Mr. Ertl took a hard line in replying to the BGA proposals for revising EC farm policy:

> Lower production, for example, could be reached only by drastic reduction of prices. Relatively small price changes, moreover, involve the danger of a production increase. According to past experience the majority of the farmers will try to compensate for income losses by an expansion of production. . . . Any sharp price reductions, especially in the short term, also might turn the present rate of outflow of farm labor and abandonment of farms into an unmanageable flight from the land. Member countries, especially those with a high share of agricultural population, would be faced with insurmountable economic and social difficulties. In general, then, price decreases cannot be considered.

In introducing the Government's 1973 agricultural report in February, Mr. Ertl said that a network of full-time farms must form the central structure of German agriculture. They must be able to get their income from the market and thus be able themselves to promote their further development. With this formulation, Mr. Ertl said no to any farm policy which would replace price policy with general income subsidies.

He went on to note, however, that there would be more voices than before in the expanded Community to argue for restraint in price policy. It would be desirable, therefore, for farmers to form cooperative associations in order to take more effective advantage of market opportunities.

In the course of a radio interview in March, Mr. Ertl remarked with reference to the current trade policy discussions between the Community and the United States that he thought it would be possible to find an arrangement on the basis of a quota system. This reference was apparently to a form of guaranteed access to the EC market. This kind of arrangement would necessarily involve some kind of production control in the Community, perhaps along the lines of production quotas for sugar. Mr. Ertl has already brought up this idea in Brussels.

At the EC Council (Agriculture Ministers) meeting in March, Mr. Ertl pressed with great emphasis for a reconsideration of agricultural policy. He is reported to have thrown out the question whether the collective preconditions for a common agricultural policy have been fulfilled yet, apparently thinking primarily of common prices. He appeared to be saying that he did not consider united prices an essential element of a common agricultural policy. Presumably, his argument was an attempt to establish the isolation of German prices from decisions to be applied elsewhere in the Community by means of the system of border adjustment compensatory payments.

Mr. Ertl does seem to be moving in the direction of holding producer prices down and making up the difference through structural reform measures and, possibly, direct income subsidies. Obviously, no agriculture minister can move too far away from his constituency, as represented in Germany by the strong farmers' union. Mr. Ertl has not done so. Nevertheless, the changing balance of forces within Germany may require him to make a tactical retreat. The urban character of the SDP and the FDP, together with the increased stability of the coalition government, would seem to make this retreat, in the end, inevitable.

NOTICE TO READERS

We regret that difficulties encountered by the printer in meeting schedules is resulting in late publication of *Foreign Agriculture* issues of May 14, 21, and 28; and June 4 and 11.

U.S. GOVERNMENT PRINTING OFFICE: 1973 O—503-924